

PROPOSED RESOLUTION

Resolution W-5060
DWA

AGENDA ID #14238

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5060
September 17, 2015

RESOLUTION

(RES. W-5060) DEL ORO WATER COMPANY, STRAWBERRY, MAGALIA, AND PARADISE PINES DISTRICTS. ORDER AUTHORIZING A SURCHARGE OF \$33.15 AT \$2.76 PER MONTH PER CUSTOMER FOR TWELVE MONTHS IN THE STRAWBERRY DISTRICT, A SURCHARGE OF \$20.10 AT \$1.68 PER MONTH PER CUSTOMER FOR TWELVE MONTHS IN THE MAGALIA DISTRICT, AND A SURCHARGE OF \$37.99 AT \$1.58 PER MONTH PER CUSTOMER FOR TWENTY FOUR MONTHS IN THE PARADISE PINES DISTRICT, TO RECOVER THE STATEWIDE LOST REVENUE RECOVERY MEMORANDUM ACCOUNTS.

SUMMARY

By Advice Letters (ALs) 406, 407, and 411, filed on April 17, 2015, April 20, 2015, and May 11, 2015, respectively, Del Oro Water Company (DOWC), a Class B water utility, seeks to recover the lost revenues and increased operational costs, as a result of the Strawberry District's (ST), Magalia District's (MD), and Paradise Pines District's (PP) implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan as recorded in its Statewide Lost Revenue Recovery Memorandum Account¹ (SLRRMA), from April 1, 2014 through December 31, 2014.

This Resolution grants a surcharge of \$33.15 at \$2.76 per month per customer, for twelve months for DOWCST, a surcharge of \$20.10 at \$1.68 per month per customer, for twelve months for DOWCMD, and a surcharge of \$37.99 at \$1.58 per month per customer, for twenty four months for DOWCPP, respectively, to

¹ On February 7, 2014, through Advice Letter 367-B effective February 27, 2014, the Commission granted DOWC the establishment of a Statewide Lost Revenue Recovery Memorandum Account.

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recover the lost revenues and increased operational costs incurred in the SLRRMA.

BACKGROUND

DOWC has requested authority under General Order 96-B (G.O. 96-B) and Section 454 of the Public Utilities (P.U.) Code to increase rates to recover the lost revenues and increased operational costs incurred in its SLRRMA.

The DOWCST's present rates became effective on April 13, 2015, by approval of Advice Letter (AL) 403, which authorized a Consumer Price Index (CPI) rate increase of \$3,656 or 0.8%.

The DOWCMD's present rates became effective on April 13, 2015, by approval of AL 401, which authorized a CPI rate increase of \$1,645 or 0.8%.

The DOWCPP's present rates became effective on May 13, 2015 pursuant to Resolution W-5032, which authorized an interim general rate increase of \$291,048 or 13.21%, subject to increase or decrease.

AL 367-B, effective February 27, 2014, authorized DOWC to establish a SLRRMA to track and recover the lost revenues and increased operational costs in all of DOWC's Districts, as a result of implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan.

The lost revenues and increased operational costs in the SLRRMA from April 1, 2014 through December 31, 2014 are \$12,632 for DOWCST, \$5,468 for DOWCMD, and \$178,650 for DOWCPP, respectively.

NOTICE AND PROTESTS

ALs 406, 407, and 411 were served on April 17, 2015, April 20, 2015, and May 11, 2015, respectively, in accordance with the provisions of G.O. 96-B. A notice of the proposed rate increase was mailed to all DOWCST and DOWCMD customers on April 29, 2015. A notice of the proposed rate increase was mailed to all DOWCPP customers on May 27, 2015. No protests were received.

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DISCUSSION

By ALs 406, 407, and 411, filed on April 17, 2015, April 20, 2015, and May 11, 2015, DOWC seeks to recover the lost revenues and increased operational costs, as a result of the DOWCST's, DOWCMD's, and DOWCPP's implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan which DOWC recorded in its SLRRMA from April 1, 2014 through December 31, 2014.

The increase requested herein is for the purpose of recovering through a surcharge, on a dollar-for-dollar basis, the lost revenues and increased operational costs which DOWC recorded in its SLRRMA. The SLRRMA was established on February 27, 2014 by approval of AL 367-B.

When a utility seeks recovery of costs recorded in a memorandum account, it has the burden to meet the following standards:

- 1) it acted prudently when it incurred these costs;
- 2) the utility paid reasonable amounts for these costs;
- 3) the memorandum account costs are not covered by other authorized rates; and
- 4) it is appropriate for ratepayers to pay for these costs in addition to otherwise authorized rates (see e.g., Ordering Paragraph 5 of Res. W-4824.)

Based on the events discussed above, the Division of Water and Audits (DWA) finds that DOWC acted prudently in incurring the lost revenues and increased operational costs recorded in its SLRRMA. These costs were incurred in order to track cost savings associated with lower sales as well as increased operational costs and violation fines, penalties, and/or surcharges collected from implementing Rule 14.1.

With respect to the 2nd standard, DWA reviewed the lost revenues and increased operational costs of \$12,632 for DOWCST, \$5,468 for DOWCMD, and \$178,650 for DOWCPP, recorded in its ledger, which DOWC provided to Staff, and has found these expenditures to be prudent and reasonable.

With respect to the 3rd standard discussed above, DWA has reviewed DOWCST's, DOWCMD's, and DOWCPP's last GRCs, authorized in February 1,

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2012, November 6, 2014, and May 7, 2015, respectively², and has ascertained that DOWC could not have anticipated the lost revenues and increased operational costs, as a result of implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan. The expenditures accrued in its SLRRMA could not have been included in the utility's previously authorized rates. Therefore, DOWC did not receive revenues prior to the recently incurred expenses accrued in its SLRRMA. Accordingly, recovering these expenses now would not amount to double recovery and is reasonable.

DWA finds it appropriate for ratepayers to pay for these costs, since these costs were accrued to provide ratepayers with water service and operate these districts, thereby ensuring that the utility maintains a reliable and sufficient water supply, which is beneficial to its customers. Accordingly, it is appropriate for ratepayers to pay for these category of costs in addition to otherwise authorized rates and, therefore, DOWC meets the 4th standard discussed above.

To minimize the impact of these amounts on ratepayers, the surcharge has been spread over twelve months for DOWCST, spread over twelve months for DOWCMD, and spread over twenty four months for DOWCPP, respectively. Per guidance in Standard Practice U-27-W, Rule 64b, memorandum account amortizations surcharges are to be spread over one year for under-collections under 5% of gross revenue and are to be spread over two years for under-collections of 5% to 10% of gross revenues.

The sum of \$12,632 is under 5% of the current gross revenue of \$385,694 for DOWCST. DWA recommends a surcharge of \$2.76 per month per customer, for a period of twelve months, for DOWCST. The sum of \$5,468 is under 5% of the current gross revenue of \$172,699 for DOWCMD. DWA recommends a surcharge of \$1.68 per month per customer, for a period of twelve months, for DOWCMD. Also, the sum of \$178,650 is over 5% but less than 10% of the current gross revenue of \$2,495,000 for DOWCPP. DWA recommends a surcharge of \$1.58 per month per customer, for a period of twenty four months, for DOWCPP. These surcharges will not result in a rate of return greater than the last authorized for DOWCST, DOWCMD, and DOWCPP.

² Res.W-4903, W-5012, and W-5032

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DOWC should be permitted to transfer the amounts recorded in its SLRRMA to a balancing account for recovery. DOWC should be permitted to recover the amounts in the balancing account by imposing a surcharge of \$2.76 per month per customer, for a period of twelve months, for DOWCST, a surcharge of \$1.68 per month per customer, for a period of twelve months, for DOWCMD, and a surcharge of \$1.58 per month per customer, for a period of twenty four months, for DOWCPP, respectively.

COMMENTS

This is an uncontested matter that pertains solely to a water corporation and grants the relief requested. Accordingly, pursuant to P.U. Code Section 311(g)(2), this resolution is exempt from the 30-day period for public review and comment.

SAFETY

The resolution provides adequate revenues to the utility so that it can provide safe and reliable water service to its customers. The water served by the utility meets all applicable primary water quality standards set forth by the State Water Resources Control Board.

COMPLIANCE

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required.

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FINDINGS

1. Del Oro Water Company (DOWC) seeks to recover the lost revenues and increased operational costs, as a result of the Strawberry District's (ST), Magalia District's (MD), and Paradise Pines District's (PP) implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan, as recorded in its Statewide Lost Revenue Recovery Memorandum Account (SLRRMA). The SLRRMA was established on February 27, 2014 by approval of AL 367-B.
2. By Advice Letters (ALs) 406, 407, and 411, filed on April 17, 2015, April 20, 2015, and May 11, 2015, for DOWCST, DOWCMD, and DOWCPP, respectively, DOWC seeks to recover the lost revenues and increased operational costs which DOWC recorded in its SLRRMA from April 1, 2014 through December 31, 2014.
3. DOWCST, DOWCMD, and DOWCPP incurred and recorded in the SLRRMA from April 1, 2014 through December 31, 2014, a total amount of \$12,632, \$5,468, and \$178,650, respectively.
4. The expenses recorded in DOWC's SLRRMA of \$12,632, \$5,468, and \$178,650, are prudent, reasonable, and not covered by other authorized rates. Also, it is appropriate for rate payers to pay for these costs in addition to otherwise authorized rates.
5. DOWC could not have reasonably anticipated these expenses in the SLRRMA in its present rates, which became effective on April 13, 2015 for DOWCST, April 13, 2015 for DOWCMD, and May 13, 2015 for DOWCPP, respectively.
6. It is appropriate for ratepayers to pay for these costs, since these costs were accrued to provide water service to ratepayers, which is beneficial to its customers.
7. ALs 406, 407, and 411 were served on April 17, 2015, April 20, 2015, and May 11, 2015 respectively, in accordance with the provisions of G.O. 96-B. A notice of the proposed rate increase was mailed to all DOWCST and DOWCMD customers on April 29, 2015. A notice of the proposed rate increase was

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mailed to all DOWCPP customers on May 27, 2015. No protests were received.

8. DOWC should be permitted to transfer the amounts recorded in its SLRRMA to a balancing account for recovery.
9. DOWC should be permitted to recover the amounts in the balancing account by imposing a surcharge of \$2.76 per month per customer, for a period of twelve months, for DOWCST, a surcharge of \$1.68 per month per customer, for a period of twelve months, for DOWCMD, and a surcharge of \$1.58 per month per customer, for a period of twenty four months for DOWCPP, respectively.
10. This surcharge will not result in a rate of return greater than the last authorized for DOWCST, DOWCMD, and DOWCPP.

THEREFORE IT IS ORDERED THAT:

1. Del Oro Water Company, Strawberry, Magalia, and Paradise Pines Districts are permitted to transfer the amounts of \$12,632, \$5,468, and \$178,650, respectively, in its Statewide Lost Revenue Recovery Memorandum Account to a balancing account for recovery over a period of twelve months, twelve months, and twenty four months, respectively. Accrued interest at the 90-day commercial paper rate may be added on the uncollected amounts from the effective date of this Resolution.
2. Del Oro Water Company, Strawberry, Magalia, and Paradise Pines Districts, are permitted to recover the amounts in the balancing account reflected in Ordering Paragraph 1 above by imposing a surcharge of \$2.76 per month per customer, for a period of twelve months, for the Strawberry District, a surcharge of \$1.68 per month per customer, for a period of twelve months, for the Magalia District, and a surcharge of \$1.58 per month per customer, for a period of twenty four months, for the Paradise Pines District.
3. Del Oro Water Company, Strawberry, Magalia, and Paradise Pines Districts, shall track the revenue from a surcharge of \$2.76 per month per customer, for a period of twelve months, for the Strawberry District, a surcharge of \$1.68 per month per customer, for a period of twelve months, for the Magalia

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District, and a surcharge of \$1.58 per month per customer, for a period of twenty four months, for the Paradise Pines District, reflected in Ordering Paragraph 2 above in a balancing account and account for any over or under collected revenues in its next general rate case for any of these districts.

4. Authority is granted under Public Utilities Code Section 454 to Del Oro Water Company; Strawberry, Magalia, and Paradise Pines Districts, to file supplemental advice letters with the revised surcharge rate schedules and concurrently cancel its presently effective Schedules, ST-1A, Annual General Metered Service, MD-1A, Annual General Metered Service, and PP-1A, Annual General Metered Service. The effective date of the revised rate schedules shall be five days after the date of filing.
5. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at the Public Utilities Commission of the State of California on September 17, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

DEL ORO WATER COMPANY
ADVICE LETTERS 406, 407, and 411
SERVICE LIST

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Division of Ratepayer Advocates

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